

**BEFORE THE COMMITTEE ON ENERGY AND NATURAL RESOURCES**

**UNITED STATES SENATE**

**TESTIMONY OF WILLIAM L. MASSEY**

**NOMINEE TO BE A MEMBER OF THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**June 25, 1998**

Mr. Chairman, Senator Bumpers and distinguished members of the Committee, I am honored to appear before you today as a nominee for Commissioner of the Federal Energy Regulatory Commission. I would like to express my appreciation to President Clinton for the confidence he has placed in me. I know that this Committee has a full agenda of issues, so I am especially grateful to Chairman Murkowski and his excellent staff for scheduling this hearing expeditiously. I would like to thank my mentor, Senator Bumpers, for the support and friendship he has provided me for almost two decades. I first learned energy policy sitting at his side as he participated in the debates in this Committee during the 1980s, and that experience has proven invaluable to me.

I began my service as Commissioner in May of 1993. The past five years have been important ones in the evolution of the Commission's pro-competitive policies.

Starting with electric policy, there have been a number of key developments. I would note three in particular. First, Order Nos. 888 and 889 were issued by the Commission in April of 1996. Public utilities are required to offer non-discriminatory wholesale transmission services by tariff and to allow their customers to communicate with them via the Internet on Open Access Same-Time Information Systems (OASIS). The goal is to facilitate a competitive market for wholesale power. Second, the Commission issued a new merger policy in December of 1996 designed to facilitate the

timely processing of merger applications, to promote greater predictability in Commission decision making, and to ensure that merger policy is consistent with the Commission's pro-competitive goals. Third, the formation of regional independent system operators (ISOs), with the Commission's express encouragement, is occurring in many parts of the country. In order to gain a better understanding of these developments, the Commission recently held a series of regional conferences to consider testimony on ISO policy and related grid regionalization issues.

During my term, the Commission also completed the restructuring of natural gas pipelines pursuant to Order No. 636. As a result, interstate pipelines are now required to function on an unbundled, open access, non-discriminatory basis, thereby facilitating a competitive market for the natural gas commodity. Recently, the Commission has been debating a number of natural gas policy options developed by Commission staff to allow greater flexibility in both the pricing and terms and conditions of service for pipeline capacity. If policy changes are proposed by the Commission, they will be subject to public comment and debate by all industry segments and other interested parties, and the Commission will take all such comments into account before policy changes, if any, are finalized.

Turning to hydroelectric policy, which is our oldest area of jurisdiction dating back to 1920, the current law requires the Commission to balance a number of competing developmental and environmental concerns as we license new projects and relicense existing ones. Competition in electric markets has dramatically increased the pressure to generate hydropower efficiently. Environmental requirements, even broadly supported ones, often increase project costs. In a competitive era, balancing these competing concerns is an even more challenging responsibility. The Commission must ensure that the licensing process itself is more user friendly and efficient for all

parties. We must do all we can to reduce the incidence of highly adversarial cases through the use of our alternative licensing process, which encourages collaboration and the development of consensus among interested parties. We must strongly encourage settlements on controversial issues.

Over the next decade fully 20 percent of our nation's hydroelectric capacity is up for relicensing. As the Commission processes these applications, we must keep this central fact in mind: clean, non-polluting hydropower will remain a critical national resource for generations to come. This philosophy will continue to influence our decision making.

In closing, I thank you for the opportunity to appear before you today. If confirmed, I will serve with integrity, diligence, and respect for the energy policy challenges that lie ahead. I look forward to any questions you may have.